LOCAL DEVELOPMENT FINANCE AUTHORITY
HOUGHTON, MICHIGAN

AUDITED FINANCIAL STATEMENTS

June 30, 2004

Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type	Local Government Name	County
☐ City ☐ Township ☐ Village ☑ Other	LOCAL DEVELOPMENT FINANCE AUTHORITY	HOUGHTON

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
6/30/04	12/31/04	2/3/05

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

RECEIVED
DEPT. OF TREASURY
FEB - 7 2005
LOCAL AUDIT & FINANCE DIV.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

☐ Yes ☑ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ Yes ☑ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☑ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ Yes ☑ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ Yes ☑ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ Yes ☑ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

☐ Yes ☑ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).

☐ Yes ☑ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ Yes ☑ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✔		
Reports on individual federal financial assistance programs (program audits).			✔
Single Audit Reports (ASLGU).			✔

Certified Public Accountant (Firm Name)			
BRUCE A. RUKKILA, CPA, PC			
Street Address: 310 SHELDEN AVENUE	City: HOUGHTON	State: MI	ZIP: 49931
Accountant Signature: Debbie Bradford		Date: 2/3/05	

TABLE OF CONTENTS

Bruce A Rukkila, CPA, PC

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Local Development Finance Authority
Houghton, Michigan

We have audited the accompanying financial statements of the Local Development Finance Authority as of and for the year ended June 30, 2004. These financial statements are the responsibility of Local Development Finance Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Local Development Finance Authority has not adopted the reporting format of Government Accounting Standards Board Statement No. 34.

In our opinion, except for the effects on the financial statements for the omission described in the preceding paragraph, the dollar amount of which we have not determined, the financial statements referred to above present fairly, in all material respects, the financial position of the Local Development Finance Authority as of June 30, 2004, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2004, on our consideration of Local Development Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

December 15, 2004

Bruce A Rukkila, CPA, PC

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Local Development Finance Authority
Houghton, Michigan

We have audited the financial statements of Local Development Finance Authority as of and for the year ended June 30, 2004, and have issued our report thereon dated December 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Local Development Finance Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Local Development Finance Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

December 15, 2004

LOCAL DEVELOPMENT FINANCE AUTHORITY
BALANCE SHEET
June 30, 2004

	Governmental Fund Type	Account Group	TOTALS (Memorandum Only)	
	General	General Fixed Assets	2004	2003
ASSETS AND OTHER DEBITS:				
Cash	$ 321,257	$ 0	$ 321,257	$ 10,635
Accounts receivable	3,115	0	3,115	733,871
Fixed Assets	0	1,460,799	1,460,799	821,452
TOTAL ASSETS AND OTHER ASSETS	$ 324,372	$ 1,460,799	$ 1,785,171	$ 1,565,958
LIABILITIES:				
Accounts payable	$ 168,643	$ 0	$ 168,643	$ 0
Deferred tax revenues	3,115	0	3,115	0
TOTAL LIABILITIES	171,758	0	171,758	0
FUND EQUITY AND OTHER CREDITS:				
Fund balance	152,614	0	152,614	744,506
Investment in general fixed assets	0	1,460,799	1,460,799	821,452
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	$ 324,372	$ 1,460,799	$ 1,785,171	$ 1,565,958

The accompanying notes to financial statements are an integral part of this statement.

LOCAL DEVELOPMENT FINANCE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the year ended June 30, 2004

	Budget	Actual	Variance
REVENUES:			
Michigan Core Communities Grant	$ 283,092	$ 283,442	$ 350
SmartZone Tax Increment Financing Revenue	83,000	86,041	3,041
TOTAL OPERATING INCOME	366,092	369,483	3,391
OPERATING EXPENSES			
Powerhouse Building expenses	33,871	26,966	6,905
Finlandia Portage Building acquistion expenses	700,000	633,859	66,141
Michigan Tech Enterprise Corporation - Contract			
Operating Agreement	217,335	214,509	2,826
SmartZone Tax Increment Financing	83,000	86,041	(3,041)
TOTAL EXPENDITURES	1,034,206	961,375	72,831
EXCESS OF REVENUE OVER EXPENDITURES	(668,114)	(591,892)	76,222
OTHER FINANCING SOURCES:			
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(668,114)	(591,892)	76,222
FUND BALANCE, BEGINNING OF YEAR	744,506	744,506	0
FUND BALANCE, END OF YEAR	$ 76,392	$ 152,614	$ 76,222

The accompanying notes to financial statements are an integral part of this statement.

The Local Development Finance Authority (LDFA) of the City of Houghton and the City of Hancock was created in April, 2001 as a multi-jurisdictional LDFA. The Cities entered into this agreement governing the composition and appointment of members of the governing body of the LDFA. The area established as the LDFA District by the Cities encompasses the corporate boundaries of Houghton and Hancock.

The Authority's Board consists of seven (7) members with three appointed by the Houghton City Council, three appointed by the Hancock City Council, and one member who shall be jointly appointed by the City Council of Hancock and City of Houghton and shall be the Chair of the Board of Directors. The Authority's Board of Directors are given powers to maintain and operate the LDFA. The Authority's operations are financed substantially through a tax increment financing plan and a Michigan Economic Development Corporation grant. The Authority's intent is to establish, implement and maintain a "SmartZone℠".

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The following is a summary of the more significant accounting policies of the Local Development Finance Authority:

SCOPE OF REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, the financial statements of the Local Development Finance Authority contain all of the financial activity of the Authority's funds. The Authority is not considered a component unit of either city. Elements considered in determining that the Authority is not a component unit of the cities are as follows:

1. The Cities are not responsible for the designation of the Authority's management.

2. The Cities do not approve the Authority's annual budget or budget amendments.

3. The Cities do not significantly influence operations.

4. The Cities each appoint three of the seven members to the Authority's Board of Directors.

5. The Cities do not have significant fiscal management responsibilities. They do not have a right to receive surplus payments made to the authority.

6. The Cities do not hold title to the physical assets of the Authority.

FUND ACCOUNTING

The accounts of the Authority are organized on the basis of funds and an account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The available resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The fund utilized by the Authority is by definition a governmental fund type.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

GOVERNMENTAL FUND TYPES

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

BASIS OF ACCOUNTING

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The governmental fund financial statements of the Authority are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes and intergovernmental grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period.

All other revenue items are considered to be available only when cash is received by the government unit.

FIXED ASSETS

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

The General Fixed Assets Account Group is not a "fund." The purpose is related only to the measurement of financial position and is not involved with measurement results of operations.

BUDGETS AND BUDGETARY ACCOUNTING

The Authority's annual budget is prepared in June of each year by the Board of Directors. The Authority reviews and adopts the annual budget prior to the beginning of the new fiscal year.

The Board adopts the budget on a line item basis and has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined.

The general statute governing Authority budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The main purpose of P.A. 621 is to require that all local units adopt balanced budgets, to establish

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

responsibilities and define the procedures for the preparation, adoption, and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. Major provisions of P.A. 621 are as follows:

1. Local units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless authorized in the budget.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures, shall be filed with the State Treasurer and reported to the Attorney General.

ENCUMBRANCES

Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Authority does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

TOTAL COLUMNS ON COMBINED FINANCIAL STATEMENTS

The total columns on the financial statements are captioned Memorandum Only to indicate they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operation, or changes in financial position in conformity with generally accepted accounting principles.

NOTE B - CASH AND EQUIVALENTS

Statutory Authority

Act 217, PA 1982, authorizes the Authority to deposit and invest in:

1. Bonds and other direct obligations of the United States or its agencies.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the National Credit Union administration that are eligible to be a depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended.
3. Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time.
4. United States government or Federal agency obligation repurchase agreements.
5. Banker's acceptance of United States banks.
6. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.

NOTE B - CASH AND EQUIVALENTS (Continued)

Cash consists of cash on hand and the checking account. At June 30, 2004 and 2003 the book value of the checking demand deposits was $321,257 and $10,635 respectively, with a corresponding bank balance of $321,381 and $10,635 respectively. Qualifying deposits are insured by the FDIC to $100,000, per FDIC regulation number 330.8. As of June 30, 2004, thirty-one percent (31%) of the Corporation's deposits were insured by the FDIC.

NOTE C - GENERAL FIXED ASSETS

A summary of the changes in the general fixed assets for building acquisitions and improvements is as follows:

Building and Improvements	Balance 06/30/03	Additions	Balance 06/30/04
Powerhouse	$ 821,452	$ 5,488	$ 826,940
4th floor of Portage	-	633,859	633,859
Total General Fixed Assets	$ 821,452	$ 639,347	$1,460,799

NOTE D - MICHIGAN TECH ENTERPRISE SMARTZONE℠ AGREEMENT

A Michigan Tech Enterprise SmartZone℠ Agreement was entered into on February 7, 2002 by and among the Michigan Economic Development Corporation (MDEC), the City of Hancock, the City of Houghton, the Local Development Finance Authority and Michigan Technological University.

Michigan SmartZones℠ are collaborations between universities, industry, research organizations, government, and other community institutions intended to stimulate the growth of technology-based businesses and jobs by aiding in the creation of recognized clusters of new and emerging businesses, those primarily focused on commercializing ideas, patents, and other opportunities surrounding corporate, university, or private research institute R&D efforts.

The Cities of Houghton and Hancock, in partnership with Michigan Technological University, will support this zone, which aims to grow the high-tech job base in the Upper Peninsula. The zone will focus on nurturing biotechnology, advanced manufacturing, information technology, and earth engineering industries. It utilizes existing downtown building space in the Cities of Houghton and Hancock and the facilities on the campus of Michigan Tech, to initially create up to three incubator facilities. This agreement shall expire December 31, 2017.

NOTE E - LOCAL DEVELOPMENT FINANCE AUTHORITY AGENCY AGREEMENT

The Michigan Tech Enterprise Corporation entered into an agreement with Local Development Finance Authority (LDFA) to assume, on behalf of the LDFA, the responsibility of operating and planning the activities in connection with the terms of the Michigan Tech SmartZone℠ Agreement. The MTEC will provide administrative services, conduct integrated market studies, generate specific marketing plans, identify methods of facilitating technological commercialization, and implement an integrated marketing program. This agreement has been approved by the Michigan Economic Development Corporation.

NOTE F - MICHIGAN ECONOMIC DEVELOPMENT CORPORATION GRANT

The Michigan Economic Development Corporation (MEDC) entered into an agreement with LDFA to finance the support and renovation of incubator facilities and operations in connection with the SmartZone℠. The grant agreement period is March 29, 2002 through March 29, 2004. LDFA received $1,716,908 of grant revenue as of June 30, 2003 and the remaining balance of $283,442 was collected during the year ending June 30, 2004.

NOTE G - TAX INCREMENT FINANCING AND DEVELOPMENT PLAN

The LDFA Board adopted a Tax Increment Financing and Development Plan on April 30, 2001. The LDFA implemented this plan under the provisions of Act 281, Public Acts of Michigan, 1986 as amended in order to develop eligible projects within the SmartZone℠ . The plan was approved by the City Councils of Houghton and Hancock. As of June 30, 2004 and 2003, the SmartZone℠ captured $89,156 and $0, respectively, of tax increment revenues. The tax is levied annually with the summer school millage and will continue until the year 2017.

A summary of the TIF district data as of June 30, 2004 is as follows:

	SmartZone TIF District	
	Houghton	Hancock
State Equalized Value base year 1999		
Real Property	34,349,675	17,736,552
Personal Property	6,737,034	3,128,327
Current year SEV, non-homestead taxable		
Real Property	39,634,953	19,183,186
Personal Property	7,021,127	3,865,455
Captured increase (decrease) of taxable value		
Real Property	5,285,278	1,446,634
Personal Property	284,093	737,128
Total captured increase of tax value	5,569,371	2,183,762
Authorized tax mills levied	11.4991	11.5000
Tax revenues levied	$ 64,043	$ 25,113
Less: tax revenues collected	60,928	25,113
Balance due	$ 3,115	$ 0

NOTE H - OPERATING RENTAL AGREEMENT

The City of Houghton Downtown Development Authority and the LDFA have an operating agreement in connection with rental income from the Powerhouse building. For any year in which there is excess rental revenues over operating and maintenance costs for the building, 12% of the excess shall be reimbursed to the DDA. If for any quarter a deficit occurs, the DDA shall reimburse to the LDFA an amount equal to the deficit. For the year ending, June 30, 2004, a net loss of $2,304 was incurred.

NOTE I - FINLANDIA CAMPUS CONDOMINIUM

On July 17, 2003 the LDFA purchased the 4th floor of the Finlandia Campus Condominium for a SmartZone℠ incubator office facility for $300,000. In addition to the purchase, the LDFA entered into a membership agreement with the Finlandia Campus Condominium Association, Inc. A construction contract of $404,893 was approved on February 27, 2004 with a local contractor for major rehabilitation improvements to the existing building. As of June 30, 2004, $333,766 in improvement construction costs have been incurred.

NOTE J - CONTINGENT LIABILITIES

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has obtained commercial insurance to handle its risk of loss.

NOTE K - BUDGETING AND ACCOUNTING

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School for these budgetary funds were adopted to the activity level.

During the year ended June 30, 2004, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated. SmartZone Tax Increment Financing expenditures exceeded the budget by $3,041.

SUPPLEMENTAL FINANCIAL INFORMATION

LOCAL DEVELOPMENT FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
For the years ended June 30, 2004 and 2003

	2004	2003
REVENUES:		
Michigan Core Communities Grant	$ 283,442	$ 1,716,908
Tax Increment Financing Revenue	86,041	0
TOTAL OPERATING INCOME	369,483	1,716,908
OPERATING EXPENSES		
Powerhouse Building expenses	26,966	799,973
Finlandia Portage Building acquistion expenses	633,859	0
Michigan Tech Enterprise Corporation - Contract		
Operating Agreement	214,509	0
Tax Increment Financing Agreement	86,041	0
Republic Bank assessment	0	19,373
Contract labor	0	132,696
CEO recruitment and relocation expenses	0	14,857
Supplies and materials	0	1,208
Dues, subscriptions and membership expenses	0	875
Insurance	0	3,951
Utilities	0	764
Professional services	0	500
TOTAL EXPENDITURES	961,375	974,197
EXCESS OF REVENUE OVER EXPENDITURES	(591,892)	742,711
OTHER FINANCING SOURCES:		
Interest income	0	189
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(591,892)	742,900
FUND BALANCE, BEGINNING OF YEAR	744,506	1,606
FUND BALANCE, END OF YEAR	$ 152,614	$ 744,506

The accompanying notes to financial statements are an integral part of this statement.

Bruce A Rukkila, CPA, PC

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for the Western Upper Peninsula

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LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Directors
Local Development Finance Authority
Houghton, Michigan

We have audited the financial statements of the Local Development Finance Authority as of and for the year ended June 30, 2004, and have issued our report thereon dated December 15, 2004.

The following suggestions are submitted to assist in improving procedures and controls.

Budget Over Expenditures

Comparing actual to budgeted expenditures shows that over expenditures have occurred. P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. SmartZone Tax Increment Financing expenditures exceeded the budget by $3,041. We recommend that timely revisions be made to the budget so that these over expenditures do not occur in the future.

General

We believe it would be beneficial for the Corporation to formulate a complete accounting policies and procedures manual which would detail how various transactions are to be handled. This would be extremely helpful in the event of accounting personnel turnover.

Insured Deposits

We noted approximately thirty-one percent (31%) of the checking account bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC). We recommend that deposits be extended to various financial institutions to decrease the risk of loss to the corporation.

Board Minutes Documentation

It is recommended that authorization of the Authorities public depositories (banks), check signers, and attorney be formally adopted at board meetings and documented in the meeting minutes.

We would like to thank the staff for the excellent cooperation we received during our audit. We appreciate the opportunity to present the above suggestions.

This report is intended for the information of the Board of Directors, management, the oversight audit agency, and other federal and state audit agencies, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

December 15, 2004